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Consolidated Financial Results for the First Nine Months of the Fiscal Year Ending March 31, 2024 (Japanese Accounting Standards)

February 14, 2024

Company name: Elecom Co., Ltd. Stock Listing: Tokyo Stock Exchange
 Stock code: 6750 URL: <http://www.elecom.co.jp/>
 Representative: Yukio Shibata, President & Representative Director
 Inquiries: Masaki Tanaka, Executive Director & Senior Managing Executive Officer Telephone: +81-6-6229-2707
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 Quarterly Financial Results Presentation Meeting: None

(Figures of less than one million yen are rounded down to the nearest decimal.)

1. Consolidated Financial Results for the First Nine Months of the Fiscal Year Ending March 31, 2024 (April 1, 2023 to December 31, 2023)

(1) Consolidated Operating Results (Cumulative)

(% figures indicate year-on-year changes)

	Net Sales		Operating Profit		Ordinary Profit		Profit Attributable to Owners of the Parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Nine months ended								
December 31, 2023	81,101	3.9	9,258	0.9	9,636	8.2	6,696	5.7
December 31, 2022	78,050	(2.1)	9,176	(13.9)	8,904	(18.1)	6,335	(18.6)

Note: Comprehensive Income Nine months ended December 31, 2023: ¥7,751 million (21.5%)
Nine months ended December 31, 2022: ¥6,377 million (-21.8%)

	Earnings per Share		Diluted Earnings per Share	
	Yen		Yen	
Nine months ended				
December 31, 2023	80.07		80.06	
December 31, 2022	74.09		74.09	

(2) Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio	Net Assets per Share
	Millions of yen	Millions of yen	%	Yen
As of				
December 31, 2023	111,167	81,957	73.6	992.76
March 31, 2023	106,846	81,204	75.8	957.74

Reference: Equity As of December 31, 2023: ¥81,844 million
As of March 31, 2023: ¥80,959 million

2. Dividends

	Annual Dividend				
	First Quarter-end	Second Quarter-end	Third Quarter-end	Fiscal Year-end	Total
	Yen		Yen		Yen
Fiscal year ended March 31, 2023	—	20.00	—	20.00	40.00
Fiscal year ending March 31, 2024	—	22.00	—		
Fiscal year ending March 31, 2024 (est.)				22.00	44.00

Note: Revisions to the most recently announced dividend forecasts: None

3. Consolidated Earnings Forecasts for the Fiscal Year Ending March 31, 2024 (from April 1, 2023 to March 31, 2024)

(% indicates YoY changes)

	Net Sales		Operating Profit		Ordinary Profit		Profit Attributable to Owners of Parent		Earnings per Share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Fiscal year ending March 31, 2024	116,500	12.3	12,300	8.8	12,300	8.1	8,430	3.7	99.73

Note: Revisions to the most recently announced earnings forecasts: None

* Notes

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries affecting the scope of consolidation): None

Newly consolidated: —

Removed from consolidation: —

(2) Adoption of special accounting methods for the preparation of quarterly consolidated financial statements: None

(3) Changes in accounting policies, changes in accounting estimates, and retrospective restatements

1) Changes in accounting policies associated with revisions to accounting standards: None

2) Changes in accounting policies other than those in item 1) above: None

3) Changes in accounting estimates: None

4) Retrospective restatements: None

(4) Number of shares issued (common shares)

1) Shares issued as of the end of the period (including treasury shares)

Nine months ended December 31, 2023	92,221,420 shares	Fiscal year ended March 31, 2023	92,221,420 shares
Nine months ended December 31, 2023	9,779,982 shares	Fiscal year ended March 31, 2023	7,688,962 shares
Nine months ended December 31, 2023	83,628,564 shares	Nine months ended December 31, 2022	85,513,238 shares

2) Treasury shares as of the end of the period

3) Average during the period

(cumulative from the start of the fiscal year)

* These quarterly financial statements are outside the scope of the quarterly review by certified public accountants or accounting auditors.

* Explanation regarding proper use of financial forecasts and other special matters

The earnings forecasts and other forward-looking statements presented in these materials reflect information available to the Company and assumptions as of the date of this announcement that are based on uncertain factors that may affect future results, and the Company does not guarantee the achievement of these targets. Actual results may differ significantly as a consequence of numerous factors. For more information on the assumptions underpinning the financial forecasts and important considerations when using the forecasts, please refer to page 3, “(3) Explanation of Consolidated Earnings Forecasts and Other Forward-Looking Statements” under “1. Qualitative Information on Quarterly Financial Results.”

As of February 14, 2024, briefing materials on the results are posted on the Company website (<http://www.elecom.co.jp/ir/>).

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1. Qualitative Information on Quarterly Financial Results

(1) Explanation of Operating Results

The Group's consolidated operating results in the nine months ended December 31, 2023 were as follows: sales of ¥81,101 million (+3.9% year on year), gross profit of ¥31,633 million (+7.7% year on year), operating profit of ¥9,258 million (+0.9% year on year), ordinary profit of ¥9,636 million (+8.2% year on year), and profit attributable to owners of parent of ¥6,696 million (+5.7% year on year).

Despite the impact of sluggish demand and a severely competitive environment, mainly for peripheral devices, TV/AV-related products and certain PC-related products, sales of mobile batteries and AC chargers that support high-speed charging grew significantly with strategic sales promotions such as the launch of new products. Products related to the new iPhone models also performed strongly. Further, the launch of a security-related business centered on surveillance cameras and the consolidation of the Tescom Denki Group and groxi Inc. resulted in higher overall sales year on year.

Since we purchase products from overseas in US dollars, the cost of sales after translation into yen was significantly affected by the yen's depreciation. Nevertheless, gross profit increased year on year as a result of price increases implemented from the previous year, as well as profit-oriented initiatives including thorough rebate management, which also resulted in gross profit margin improvement.

Operating profit rose slightly year on year, driven by improved gross profit despite higher SG&A expenses driven by increased personnel and administrative expenses resulting from the consolidation of Tescom Denki Group and groxi, base salary increases as part of efforts to strengthen investment in human resources, M&A expenses, and higher travel and transportation expenses associated with the normalization of economic activity following the COVID-19 pandemic, among other factors.

Ordinary profit rose year on year in line with higher operating profit, as well as an increase in interest income and a decline in foreign exchange losses driven by the sharp depreciation of the yen in the same period of the previous year.

Furthermore, in order to solidify the Group's return to a growth trajectory in the future, we are currently implementing reforms focused on restructuring our development system to accelerate strategic product development. We will also continue to implement measures to improve earnings resilience against yen depreciation. On the M&A front, on June 30, 2023, we acquired groxi, which serves as a one-stop shop for network design, construction, maintenance, and operation, which are functions that we have been looking for. In addition, on July 6, 2023, we acquired Tescom Denki Group with the aim of accelerating the growth of our home appliance business. Tescom Denki Group is recognized as a major player in the market for hair dryers, hair irons, and other beauty appliance products. We are actively pursuing initiatives that combine the growth potential of each company with the strengths of the Elecom Group, and we continue to explore opportunities for further enhancement of corporate value, such as M&A.

The operating results by product category are shown below. Note that the Company presents operating results classified by product category since the Elecom Group operates in a single segment that engages in development, manufacturing, and sales of PC and digital device-related products.

(PC-related Products)

Sales of products such as PC cables and USB hubs declined due to sluggish demand for PC units, but sales grew thanks to steady sales of keyboards through e-commerce such as gaming keyboards, price revisions for power strips, and PC filter orders from corporate customers.

As a result, sales related to PCs for the nine months ended December 31, 2023 were ¥22,261 million (+1.3% year on year).

(Smartphone/Tablet-related Products)

Sales of mobile batteries (mainly in mass retailers) and AC chargers supporting high-speed charging (mainly in e-commerce) increased significantly due to strategic sales promotions including the launch of new products. In addition, with the launch of the new iPhone models, sales of type-C cables and accessories, particularly smartphone cases and films, also grew.

As a result, sales related to smartphones and tablets for the nine months ended December 31, 2023 were ¥16,545 million (+11.5% year on year).

(TV/AV-related Products)

Although Group company DX Antenna's sales grew thanks to telecommunication construction work for new construction mainly in the Tokyo metropolitan area, demand for headset microphones and AV cable-related products declined, resulting in sales of ¥12,273 million (-4.5% year on year) for TV/AV-related products for the nine months ended December 31, 2023.

(Peripheral Devices)

Sales of both network equipment and storage equipment fell owing to the continued severe competitive environment. On the other hand, profits improved in the memory-related business due to price revisions and other measures despite a sharp drop in sales, mainly in industrial equipment storage devices, stemming from sluggish semiconductor-related demand. In addition, the security-related business expanded substantially.

As a result, sales of peripheral devices for the nine months ended December 31, 2023 were ¥20,937 million (-7.6% year on year).

(Other)

Despite a decline in sales of custom PCs for corporate customers, sales grew rapidly due to the impact of the new consolidation of the Tescom Denki Group and groxi, Inc, reaching ¥9,084 million (+59.2% year on year) for the nine months ended December 31, 2023.

[Consolidated net sales by product category]

(Millions of yen; %)

Product category	Nine months ended December 31, 2022		Nine months ended December 31, 2023		YoY change (%)
	Amount	%	Amount	%	
PC-related Products	21,983	28.2	22,261	27.5	1.3
Smartphone/Tablet-related Products	14,838	19.0	16,545	20.4	11.5
TV/AV-related Products	12,854	16.5	12,273	15.1	(4.5)
Peripheral Devices	22,667	29.0	20,937	25.8	(7.6)
Other	5,706	7.3	9,084	11.2	59.2
Total	78,050	100.0	81,101	100.0	3.9

(2) Explanation of Financial Position

Total assets as of December 31, 2023 were up ¥4,320 million from the end of the previous fiscal year to ¥111,167 million.

<Factors driving increases>

Notes and accounts receivable–trade: Increased due to M&A activity (acquisition of groxi and the Tescom Denki Group) and temporary timing difference of collections

Merchandise and finished goods: Increased due to M&A activity and purchases based on demand trends

Deposits paid: Increased due to purchase of treasury shares

Non-current assets: Increased due to M&A activity

<Factors driving decreases>

Cash and deposits: Decreased mainly due to M&A activity and purchase of treasury shares (including an increase in deposits)

Securities: Decreased due to the sale of some bonds

Liabilities increased ¥3,568 million to ¥29,210 million. This was mainly due to an increase in accounts payable–trade resulting from M&A activity and purchases.

Net assets increased ¥752 million to ¥81,957 million. This was mainly due to an increase in accumulated other comprehensive income resulting from the depreciation of the yen, in addition to an increase in retained earnings, despite the negative impact of a decrease in shareholders' equity due to the purchase of treasury shares.

Cash flow conditions in the nine months ended December 31, 2023 were as follows.

Net cash provided by operating activities totaled ¥3,969 million (net inflow of ¥1,570 million in the same period of the previous year). The main sources of cash were the recording of ¥9,777 million in profit before income taxes and ¥2,072 million in depreciation, which were partially offset by ¥3,595 million in income taxes paid, a ¥2,537 million increase in notes and accounts receivable–trade, and ¥1,495 million in other decreases such as decreases in accounts payable–other.

Net cash used in investing activities amounted to ¥2,574 million (net outflow of ¥6,001 million in the same period of the previous year). The main factors were ¥5,161 million for the purchase of shares of subsidiaries resulting in change in scope of consolidation, ¥2,540 million for the purchase of securities, and ¥1,904 million for the purchase of property, plant and equipment, which were partially offset by ¥6,877 million in proceeds from sale of securities.

Net cash used in financing activities came to ¥8,162 million (net outflow of ¥3,255 million in the same period of the previous year). The main factors were ¥3,522 million in dividends paid, ¥3,802 million in the purchase of treasury shares, and a ¥1,197 million increase in deposits for the purchase of treasury shares.

As a result, cash and cash equivalents as of December 31, 2023 decreased ¥6,053 million from the end of the previous fiscal year to ¥35,200 million.

(3) Explanation of Consolidated Earnings Forecasts and Other Forward-Looking Statements

The consolidated earnings forecasts have not changed from the consolidated earnings forecast for the full year ending March 31, 2024, announced on May 29, 2023.

2. Quarterly Consolidated Financial Statements and Important Notes

(1) Quarterly Consolidated Balance Sheet

(Millions of yen)

	Fiscal year ended March 31, 2023 (As of March 31, 2023)	Nine months ended December 31, 2023 (As of December 31, 2023)
Assets		
Current assets		
Cash and deposits	41,253	35,200
Notes and accounts receivable–trade	17,648	21,932
Securities	13,860	10,058
Merchandise and finished goods	10,214	12,982
Work in process	239	708
Raw materials and supplies	1,994	1,966
Returned assets	529	477
Deposits paid	—	1,197
Other	4,960	5,517
Allowance for doubtful accounts	(0)	(0)
Total current assets	90,700	90,041
Non-current assets		
Property, plant and equipment	10,371	12,134
Intangible assets		
Goodwill	231	2,722
Other	1,653	1,863
Total intangible assets	1,885	4,585
Investments and other assets	3,890	4,406
Total non-current assets	16,146	21,126
Total assets	106,846	111,167
Liabilities		
Current liabilities		
Notes and accounts payable–trade	10,825	13,837
Electronically recorded obligations–operating	2,946	2,522
Short-term borrowings	500	500
Income taxes payable	1,824	1,306
Refund liability	1,789	1,690
Other provisions	1,048	751
Other	4,439	5,734
Total current liabilities	23,374	26,344
Non-current liabilities		
Retirement benefit liability	1,780	2,049
Provision for retirement benefits for directors (and other officers)	22	29
Other	464	787
Total non-current liabilities	2,267	2,866
Total liabilities	25,642	29,210

(Millions of yen)

	Fiscal year ended March 31, 2023 (As of March 31, 2023)	Nine months ended December 31, 2023 (As of December 31, 2023)
Net assets		
Shareholders' equity		
Share capital	12,577	12,577
Capital surplus	12,822	12,909
Retained earnings	62,487	65,661
Treasury shares	(11,261)	(14,689)
Total shareholders' equity	76,626	76,459
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	502	689
Deferred gains or losses on hedges	2,172	2,402
Foreign currency translation adjustment	1,659	2,294
Remeasurements of defined benefit plans	(0)	(1)
Total accumulated other comprehensive income	4,333	5,385
Share acquisition rights	229	93
Non-controlling interests	15	18
Total net assets	81,204	81,957
Total liabilities and net assets	106,846	111,167

(2) Quarterly Consolidated Statements of Income and Comprehensive Income
(Quarterly Consolidated Statement of Income)
First nine months of the consolidated fiscal year ending March 31, 2024

(Millions of yen)

	Nine months ended December 31, 2022 (From April 1, 2022 to December 31, 2022)	Nine months ended December 31, 2023 (From April 1, 2023 to December 31, 2023)
Net sales	78,050	81,101
Cost of sales	48,684	49,467
Gross profit	29,366	31,633
Selling, general and administrative expenses	20,190	22,375
Operating profit	9,176	9,258
Non-operating income		
Interest income	173	541
Dividend income	47	50
Purchase discounts	1	0
Compensation income	1	1
Insurance claim income	0	1
Other	27	64
Total non-operating income	251	660
Non-operating expenses		
Interest expenses	0	0
Foreign exchange losses	492	255
Office relocation expenses	7	0
Commission for purchase of treasury shares	19	0
Other	3	25
Total non-operating expenses	524	282
Ordinary profit	8,904	9,636
Extraordinary income		
Gain on sale of non-current assets	—	16
Gain on sale of investment securities	—	49
Gain on reversal of share acquisition rights	31	101
Gain on termination of retirement benefit plan	91	—
Other	—	1
Total extraordinary income	123	168
Extraordinary losses		
Loss on retirement of non-current assets	27	26
Other	—	0
Total extraordinary losses	27	27
Profit before income taxes	8,999	9,777
Income taxes—current	2,447	2,865
Income taxes—deferred	217	214
Total income taxes	2,665	3,079
Profit	6,334	6,697
Profit (loss) attributable to non-controlling interests	(1)	1
Profit attributable to owners of parent	6,335	6,696

(Quarterly Consolidated Statement of Comprehensive Income)

First nine months of the consolidated fiscal year ending March 31, 2024

(Millions of yen)

	Nine months ended December 31, 2022 (From April 1, 2022 to December 31, 2022)	Nine months ended December 31, 2023 (From April 1, 2023 to December 31, 2023)
Profit	6,334	6,697
Other comprehensive income		
Valuation difference on available-for-sale securities	102	187
Deferred gains or losses on hedges	(478)	230
Foreign currency translation adjustment	626	636
Remeasurements of defined benefit plans, net of tax	(207)	(0)
Total other comprehensive income	43	1,053
Comprehensive income	6,377	7,751
Comprehensive income attributable to:		
Owners of parent	6,377	7,748
Non-controlling interests	0	2

(3) Quarterly Consolidated Statement of Cash Flows

(Millions of yen)

	Nine months ended December 31, 2022 (From April 1, 2022 to December 31, 2022)	Nine months ended December 31, 2023 (From April 1, 2023 to December 31, 2023)
Cash flows from operating activities		
Profit before income taxes	8,999	9,777
Depreciation	1,877	2,072
Amortization of goodwill	57	251
Interest and dividend income	(220)	(592)
Interest expenses	0	0
Decrease (increase) in trade receivables	(1,002)	(2,537)
Decrease (increase) in inventories	(3,253)	(1,363)
Increase (decrease) in trade payables	(1,570)	1,259
Increase (decrease) in provisions	(488)	(387)
Other, net	79	(1,495)
Subtotal	4,479	6,985
Interest and dividends received	220	580
Interest paid	(0)	(0)
Income taxes paid	(3,129)	(3,595)
Net cash provided by (used in) operating activities	1,570	3,969
Cash flows from investing activities		
Purchase of property, plant and equipment	(5,331)	(1,904)
Proceeds from sale of property, plant and equipment	0	376
Purchase of intangible assets	(443)	(480)
Purchase of securities	(169)	(2,540)
Proceeds from sale of securities	—	6,877
Purchase of investment securities	(19)	(20)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	—	(5,161)
Other, net	(38)	279
Net cash provided by (used in) investing activities	(6,001)	(2,574)
Cash flows from financing activities		
Proceeds from disposal of treasury shares	15	360
Purchase of treasury shares	(5,239)	(3,802)
Decrease (increase) in deposits paid for purchase of treasury shares	5,240	(1,197)
Dividends paid	(3,271)	(3,522)
Other, net	—	(0)
Net cash provided by (used in) financing activities	(3,255)	(8,162)
Effect of exchange rate change on cash and cash equivalents	366	713
Net increase (decrease) in cash and cash equivalents	(7,320)	(6,053)
Cash and cash equivalents at beginning of period	42,082	41,253
Cash and cash equivalents at end of period	34,762	35,200

(4) Notes to Quarterly Consolidated Financial Statements

(Notes Regarding Assumption of a Going Concern)

No applicable matters to report.

(Notes on Significant Changes in the Amount of Shareholders' Equity)

The Company repurchased 2,342,100 shares of treasury shares in accordance with a resolution at the Board of Directors meeting held on May 10, 2023. As a result, treasury shares increased ¥3,802 million during the first nine months of the current consolidated fiscal year, amounting to ¥14,689 million at the end of the first nine months of the current consolidated fiscal year.

(Adoption of Special Accounting Methods for Preparation of Quarterly Consolidated Financial Statements)

No applicable matters to report.

(Changes in Accounting Policies)

No applicable matters to report.

(Changes in Accounting Estimates)

No applicable matters to report.

(Additional Information)

No applicable matters to report.

(Important Subsequent Events)

No applicable matters to report.

(Segment Information, etc.)

[Segment Information]

I. First nine months of the fiscal year ended March 31, 2023 (from April 1, 2022 to December 31, 2022)

Segment-specific information has been omitted as the Company operates in a single segment that engages in development, manufacturing, and sales of computer and digital device-related products.

II. First nine months of the fiscal year ending March 31, 2024 (from April 1, 2023 to December 31, 2023)

Segment-specific information has been omitted as the Company operates in a single segment that engages in development, manufacturing, and sales of computer and digital device-related products.

3. Other

Significant Events Relating to Going Concern Assumption, etc.

No applicable matters to report.